

STATE OF COLORADO

**DEPARTMENT OF PERSONNEL &
GENERAL SUPPORT SERVICES
DIVISION OF FINANCE AND PROCUREMENT
OFFICE OF THE STATE CONTROLLER**

1525 Sherman Street, Suite 250
Denver, Colorado 80203
Phone (303) 866-3281
FAX (303) 866-4233



Bill Owens
Governor

Troy A. Eid.
Executive Director

Arthur L. Barnhart
State Controller

October 30, 2001

The Honorable Bill Owens
Governor
136 State Capitol Building
Denver, Colorado 80203

Dear Governor Owens:

I am pleased to submit a Quarterly Financial Report on the status of the state's financial condition for the three-month period ended September 30, 2001. This Quarterly Financial Report summarizes activity in the General Fund, the Capital Construction Fund and budgeted funds statewide.

Exhibit A provides a *Balance Sheet* for the Unrestricted General Fund and Capital Construction Fund at September 30, 2001. The General Fund portion of the *Balance Sheet* includes a \$924.0 million liability for the remaining Fiscal Year 2000-01 TABOR refund. This liability is recorded at the beginning of the fiscal year to reserve fund balance as required by statute. Other factors that contribute to the \$1,149.7 billion deficit total fund equity are discussed in Exhibit B below. When four percent of appropriations are reserved, as is also required by law, the General Fund unreserved fund balance deficit is \$1,375.0 million. This compares to a deficit of \$989.6 million at September 30, 2000. The increase in the deficit is not related to the TABOR refund liability because that liability decreased by \$13.9 million from Fiscal Year 1999-00 to 2000-01. This condition exists primarily because a large portion of the TABOR excess revenues are expended rather than reserved until they are paid and because of a downturn in projected revenues. These financial statements do not reflect the recent cancellation of capital construction projects and the related transfer of cash back to the General Fund.

The General Fund deficit is significant because the fund also has cash flow problems. The state treasurer's most recent borrowing of \$600 million is not reflected in these financial statements; however, the Liability to Pooled Cash in the Unrestricted General Fund of \$816.9 million significantly exceeds the borrowed amount. The state is increasingly dependent on future collections to repay this short-term borrowing and to pay other existing liabilities.

At September 30, 2001, total payments on the Fiscal Year 1997-98 through Fiscal Year 1999-00 TABOR refund exceeded the required refund by \$107.4 million. A portion of that excess reduced Fiscal Year 2001-02 revenues by \$31.9 million.

Exhibit B provides a *Schedule of Revenues, Expenditures and Changes in Unreserved Fund Balance - General Fund - Budget and Actual* for the three-month period ended September 30, 2001. The Current Estimate/Budget column shows the most recent OSPB estimate of revenues on the modified accrual basis for the fiscal year and current appropriations made by the General Assembly. This column shows an estimate of the General Fund Unrestricted fund balance at June 30, 2001 of zero after applying the 4 percent statutory reserve. This compares to the budget-basis actual unrestricted fund balance of \$255.6 million at June 30, 2001.

In the first quarter, actual general-purpose revenues were \$1.577 billion, which is 23.4 percent of the annual estimate. Expenditures of the General Fund through the first quarter were 46.2 percent of current appropriations. Individual spending patterns above 25 percent for the first quarter are primarily caused by legal requirements to make transfers or expenditures early in the year. Examples include:

- The Department of Education's requirement to transfer six months of public school moneys totaling \$1,117.7 million to the State Public School Fund by the end of the first quarter,
- The General Fund transfer of \$256.8 million to the Capital Construction Fund on July 1, 2001, and
- Recording the \$927.2 million Fiscal Year 2000-01 TABOR refund to be paid in Fiscal Year 2001-02.

Exhibit C is a *Schedule of Revenues, Expenditures and Changes in Unreserved Fund Balance - Regular Capital Construction Fund - Budget and Actual* for the three-month period ended September 30, 2001. Interest earnings are strong due to the large cash balance in this fund. Expenditures should not be expected to match the outstanding appropriations because of the multi-year nature of the appropriations compared to current fiscal year expenditures. This timing difference between the revenues and expenditures, inherent in the multi-year appropriations process, causes a large variance between the estimated and the actual fund balance.

Exhibit D, *Combined Schedule of Revenues and Expenditures - All Budgeted Funds - Budget and Actual*, summarizes each department's spending authority for all budgeted funds by source of authority and tracks activity in those funds. This exhibit provides comprehensive information of statewide budgeted activity. Only state appropriated activities are included for college and university funds.

Governor Bill Owens
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October 30, 2001

Based upon a review of these financial reports and agency comments, I am not aware of any significant financial issues other than those discussed above.

Questions concerning this report should be directed to my office.

Sincerely yours,

A handwritten signature in cursive script, reading "Arthur L. Barnhart".

Arthur L. Barnhart
State Controller

Attachments

ALB/djm

cc: Troy A. Eid, DOP/GSS
Nancy McCallin, OSPB
Kenneth Conahan, JBC

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BALANCE SHEET
GENERAL AND CAPITAL CONSTRUCTION FUNDS
SEPTEMBER 30, 2001

(DOLLARS IN THOUSANDS)	UNRESTRICTED	
	GENERAL FUND	CAPITAL CONSTRUCTION
ASSETS:		
Cash and Cash Equivalents	\$ -	\$ 595,817
Taxes Receivable, net	869,011	-
Other Receivables, net	61,245	3,145
Intrafund Receivables	18,106	2,207
Due From Other Governments	206,387	5,033
Due From Other Funds	1,094	3,409
Inventories	5,777	-
Prepays, Advances, and Deferred Charges	55,544	4,383
Other Long-Term Assets	445	187
TOTAL ASSETS	\$ 1,450,510	\$ 614,181
LIABILITIES:		
Liability to Pooled Cash	\$ 816,941	\$ -
Tax Refunds Payable	378,074	-
Accounts Payable and Accrued Liabilities	212,456	30,309
TABOR Refund Fiscal Year 2000-01	924,011	-
Due To Other Governments	28,919	-
Due To Other Funds	11,672	1,316
Intrafund Payables	8,638	2,209
Deferred Revenue	54,444	(14)
Other Current Liabilities	161,122	(40)
Deposits Held in Custody for Others	3,793	-
Other Long-Term Liabilities	105	-
TOTAL LIABILITIES	2,600,175	33,780
FUND EQUITY:		
Fund Balances:		
Reserved For:		
Encumbrances	-	188,475
Other Specific Purposes		2,801
Long-Term Assets and Loans Receivable	445	187
Statutory Reserve	224,900	-
Unreserved:		
Designated	-	388,938
Undesignated	(1,375,010)	-
TOTAL FUND EQUITY	(1,149,665)	580,401
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,450,510	\$ 614,181

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
UNRESERVED FUND BALANCE - GENERAL FUND
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001**

(DOLLARS IN THOUSANDS)	CURRENT ESTIMATE/ BUDGET	ACTUAL	PERCENT OF ESTIMATE
REVENUES:			
Sales and Use Tax	\$ 1,607,200	\$ 432,413	
Other Excise Taxes	97,800	25,640	
Individual Income Tax, net	4,114,500	739,524	
Corporate Income Tax, net	329,600	53,934	
Estate Tax	72,400	32,518	
Insurance Tax	138,700	33,629	
Parimutuel, Courts, and Other	46,600	10,135	
Transfer from Controlled Maintenance Trust	244,000	243,900	
Interest Earnings	49,200	5,491	
Gaming	31,500	-	
TOTAL GENERAL PURPOSE REVENUES	6,731,600	1,577,184	23.4%
EXPENDITURES:			
Agriculture	10,280	3,082	
Corrections	478,169	110,684	
Education	2,286,324	1,189,189	
Governor	20,428	4,753	
Health Care Policy and Financing	1,092,787	238,143	
Higher Education	764,652	194,244	
Human Services	519,085	126,045	
Judicial Branch	216,864	51,251	
Labor and Employment	-	-	
Law	9,826	2,124	
Legislative Branch	31,102	6,469	
Local Affairs	14,548	2,605	
Military Affairs	4,097	1,387	
Natural Resources	29,164	7,738	
Personnel	21,140	3,937	
Public Health and Environment	34,654	10,589	
Public Safety	59,542	15,133	
Regulatory Agencies	1,999	498	
Revenue	181,420	41,485	
State	-	-	
Transportation	-	-	
Treasury	31,297	27,479	
Fiscal Year 2000-01 TABOR Refund	927,201	927,201	
Transfer to the Economic Development Fund	-	-	
Transfer to the Capital Construction Fund	257,000	256,768	
Expenditure Reductions Not Yet Recorded	(15,579)		
TOTAL GENERAL FUNDED EXPENDITURES	6,976,000	3,220,804	46.2%
EXCESS GENERAL REVENUES OVER (UNDER) GENERAL FUNDED EXPENDITURES			
	(244,400)	(1,643,620)	
EXCESS AUGMENTING REVENUES	-	24,466	
BEGINNING UNRESERVED FUND BALANCE	255,600	255,592	
Add Budgeted Non-GAAP Expenditures	-	1	
Deduct the GAAP Expenditures Not Budgeted	-	(180)	
(Additions) Deductions to the Long-Term Loan Reserve	-	(34)	
(Additions) Deductions to the Statutory 4 Percent Reserve	(11,200)	(11,232)	
Adjustments for Consumable Inventory Fund	-	(3)	
ENDING UNRESERVED FUND BALANCE	\$ -	\$ (1,375,010)	

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
UNRESERVED FUND BALANCE
BUDGET AND ACTUAL - CAPITAL CONSTRUCTION FUND
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001**

(DOLLARS IN THOUSANDS)	CURRENT ESTIMATE/ BUDGET	ACTUAL	PERCENT OF ESTIMATE
REVENUES:			
General Fund Transfer-In	\$ 302,568	\$ 256,768	
Interest Earnings	34,500	8,993	
TOTAL CAPITAL CONSTRUCTION REVENUES	337,068	265,761	78.8%
EXPENDITURES:			
Agriculture	6,316	297	
Corrections	88,653	3,683	
Education	5,595	750	
Governor	2,727	470	
Health Care Policy and Financing	7,784	505	
Higher Education	365,811	34,499	
Human Services	65,162	13,008	
Judicial Branch	1,833	10	
Local Affairs	6,809	1,306	
Military Affairs	2,478	175	
Natural Resources	473	473	
Personnel	51,819	6,352	
Public Health and Environment	13,513	600	
Public Safety	14,596	1,669	
Revenue	3,680	16	
Transportation	34,084	7,470	
Intrafund Transfer-Out	4,620	4,620	
NET EXPENDITURES AND AUGMENTING REVENUES	676,050	75,910	11.2%
EXCESS GENERAL REVENUES OVER (UNDER)			
NET CAPITAL CONSTRUCTION EXPENDITURES	(338,982)	189,851	
EXCESS AUGMENTING REVENUES	-	16,144	
BEGINNING UNRESERVED FUND BALANCE - GAAP BASIS	232,614	232,614	
(Additions) Deductions to Reserve for Encumbrances	138,804	(49,671)	
ENDING UNRESERVED FUND BALANCE - GAAP BASIS	\$ 32,436	\$ 388,938	

**COMBINED SCHEDULE OF REVENUES AND EXPENDITURES
ALL BUDGETED FUNDS - BUDGET AND ACTUAL
BUDGETARY BASIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001**

(DOLLARS IN THOUSANDS)											
	LONG BILL APPROPRIATION	SPECIAL BILLS	SUPPLEMENTAL APPROPRIATION	OTHER STATUTORY AUTHORITY	ROLL- FORWARDS	TRANSFERS	FEDERAL AND CUSTODIAL	RESTRICTIONS	CURRENT SPENDING AUTHORITY	ACTUAL	UNDER/OVER SPENDING AUTHORITY
REVENUES AND TRANSFERS-IN:											
Sales and Other Excise Taxes										\$ 623,531	
Income Taxes										877,479	
Other Taxes										152,944	
Federal Grants and Contracts										658,453	
Tuition and Fees										320,555	
Sales and Service										241,518	
Interest Earnings										87,572	
Medicaid Provider Revenues										-	
Other Revenue										175,834	
Transfers-In										2,007,902	
Total Revenue and Transfers-In										5,145,788	
EXPENDITURES AND TRANSFERS-OUT:											
Departmental Operating Budgets											
Agriculture	\$ 30,702	\$ -	\$ -	\$ 333	\$ -	\$ -	\$ 2,593	\$ (1,926)	\$ 31,702	11,021	\$ 20,681
Corrections	538,906	16	-	3,450	975	-	1,511	(6,237)	538,621	121,671	416,950
Education	2,753,069	63,671	-	2,089,502	2,653	-	783	(147,793)	4,761,885	1,839,667	2,922,218
Governor	44,463	86	-	8,685	-	-	21,453	(21,601)	53,086	10,364	42,722
Health Care Policy and Financing	2,448,044	(739)	-	2,255	2,506	-	8,826	(11,809)	2,449,083	497,780	1,951,303
Higher Education*	1,611,763	130	-	735,194	19,147	-	60,402	(22,940)	2,403,696	421,181	1,982,515
Human Services	1,708,252	3,146	-	33,042	2,936	-	288,058	(498,659)	1,536,775	321,466	1,215,309
Judicial Branch	267,502	4,505	-	1,752	48	-	2,250	(6,281)	269,776	61,822	207,954
Labor and Employment	130,468	-	-	171,095	61,399	-	9,227	(24,836)	347,353	116,895	230,458
Law	33,371	153	-	298	549	-	867	(13)	35,225	7,910	27,315
Legislative Branch	3,399	29,293	-	1,106	1,171	-	-	-	34,969	7,328	27,641
Local Affairs	163,880	78	-	1,308	26,868	-	31,093	(2,932)	220,295	32,116	188,179
Military Affairs	116,848	-	-	1,543	-	-	511	(111,710)	7,192	2,052	5,140
Natural Resources	159,068	10,045	-	131,969	31,064	-	43,691	(17,534)	358,303	52,263	306,040
Personnel	147,824	-	-	11,898	30,009	(30)	-	(1,193)	188,508	42,864	145,644
Public Health and Environment	260,978	1,598	-	895	32,460	-	27,096	(42,197)	280,830	71,739	209,091
Public Safety	185,882	650	-	622	26	-	27,915	(4,022)	211,073	39,861	171,212
Regulatory Agencies	67,956	245	-	13,000	452	-	1,315	(1,245)	81,723	19,436	62,287
Revenue	480,878	7,174	-	170,956	833	-	1,745	(631)	660,955	160,229	500,726
State	9,819	853	-	-	917	-	-	-	11,589	2,255	9,334
Transportation	1,325,544	-	-	1,466,137	12,656	-	547,084	(561,863)	2,789,558	337,101	2,452,457
Treasury	296,737	200	-	806,517	-	-	74,500	-	1,177,954	290,247	887,707
Controller's Non-Operating	-	198,830	-	103,738	-	-	-	(45,800)	256,768	256,768	-
Fiscal Year 1999-00 TABOR Refund	-	-	-	941,129	-	-	-	-	941,129	941,129	-
Capital Construction	-	1,123	-	9,136	845,310	-	12,214	(106,066)	761,717	85,955	675,762
Total Expenditures and Transfers-Out	\$ 12,785,353	\$ 321,057	\$ -	\$ 6,705,560	\$ 1,071,979	\$ (30)	\$ 1,163,134	\$ (1,637,288)	\$ 20,409,765	5,751,120	\$ 14,658,645
EXCESS OF REVENUES AND TRANSFERS-IN OVER (UNDER) EXPENDITURES AND TRANSFERS-OUT										<u><u>\$ (605,332)</u></u>	

*Only state appropriated funds are included for this department.